

# CALIFORNIA STATE TEACHERS' RETIREMENT BOARD

## INVESTMENT COMMITTEE

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Subject:	Credit Enhancement Program- Activity Status Report	Item Number:	<u>11</u>
		Attachment(s):	<u>2</u>
Action:	<u>                    </u>	Date of Meeting:	<u>June 2, 1999</u>
Information:	<u>    X    </u>	Presenters:	<u>Mr. Rose</u>

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### EXECUTIVE SUMMARY

Last month CalSTRS closed on the following transactions: Mission Viejo Mall Improvement Project for \$33 million and industrial development bond for Scott Lamp Co./Watt Four for \$2.8 million.

A \$2.8 million transaction to support the City of Fontana Redevelopment Agency was previously reported and is now scheduled to close June 1999. CalSTRS will provide a confirming letter-of-credit. A \$2.5 million transaction for Evergreen Distributors in Oceanside is also expected to close in June. The facility will include a nursery-storage and growing area and a green waste facility. This is a pollution control bond.

CalSTRS will soon be closing two confirming letters-of-credit. The first is for New United Motors Inc. (NUMMI) in Fremont. The second transaction is for the Kern High School District. The \$30 million bond issue will be issued through the Golden Empire Schools Financing Authority (Authority). The Authority is a joint powers authority comprised of Kern High School District and Taft Union High School District.

1. New United Motors Manufacturing Inc. (NUMMI), Fremont California

CalSTRS will be providing a confirming letter of credit for \$11 million for a pollution control project issued through the California Pollution Control Financing Authority for NUMMI. The purpose of the project is to provide equipment and facilities to prime, "prep", and topcoat-paint the Toyota Corolla and Geo Prizm. This financing includes the portion of the project that involves the processing and disposal of solid waste that results from these processes. This tax-exempt financing is for \$11 million of the \$134 million total cost of the project. The project provides an environmentally sound method of disposing and treating waste produced during car painting. An example: approximately 200,000 gallons of purge thinner (a solution for breaking down paint) will be recovered, of which 47% will be reused. In reusing this thinner, air pollution will be reduced as less will be burned in the disposal process.

NUMMI was organized as a joint venture between General Motors Corporation (GM) and Toyota Motor Corp (TMC) in 1984. NUMMI manufactures and sells Chevrolet

Prizms to GM and Toyota Corollas to TMC. In addition, NUMMI performs assembly service for Toyota. Toyota owns most of the machinery and equipment used to produce the trucks.

2. Kern High School District, Kern County

At the May 1999 Investment Committee meeting, a verbal report was given about a possible credit enhancement opportunity with the Kern High School District. At the time of the report, the opportunity was in the process of being clarified. The financing opportunity now stands at \$30 million. Staff is currently in the due diligence process. The transaction is expected to close in June 1999.

Canadian Imperial Bank of Commerce (CIBC) and NatWest have been awarded the mandate to provide a \$30 million Letter of Credit (LOC) to support the issuance of Lease Revenue Bonds. The bond will be issued by the Golden Empire Schools Financing Authority (Authority) to fund capital projects for the Kern High School District.

The District is located in Bakersfield within Kern County. This would be a 5-year commitment. CIBC has requested that CalSTRS participate in 25% of this transaction or approximately \$7.5 million.

The District has a Moody's rating of A, and a special reserve cash balance in excess of \$39 million. In addition to the lease payments from the District, the Bonds/LOC will be a general obligation of the Authority. The Authority has a cash balance of over \$48 million. The District maintains property and casualty insurance of \$60 million, as well as rental interruption insurance.

The Authority was established as a joint powers agency under the laws of California. The Authority members are Kern High School District and Taft Union High School District. The Authority was formed for the primary purpose of financing facilities and equipment for school districts in the County of Kern. The individuals acting as Board of Trustees for the district also act as the Board of Directors of the Authority.

In November 1988, the Authority was used as part of a successful attempt to increase the revenues of the District and the neighboring Taft Union High School District. To accomplish this, the District transferred a 1.5 square mile area known as Belridge to Taft. The Belridge area contains the fourth most productive oil field in the history of the U.S. It is currently estimated that 300 million barrels of oil reserves remain in the area.

# CalSTRS CREDIT ENHANCEMENT PROGRAM

PROGRAM SUMMARY AS OF MAY 7, 1999

Attachment 1

Item 12

Transactions	Type	Closing Date	End of Commitment	STRS Commitment	Interest	Total Commitment	Fiscal 1998 - 99 Fee Income	Fee Income To Date
<b>DIRECT RISK</b>								
Port of Long Beach	Liquidity	Jun-94	Feb-00	\$75,000,000	\$0	\$75,000,000	\$103,961	\$250,972
Bridge - Richmond Townhomes	Expired. Redeemed as of Feb-97.							\$15,096
USA Waste Industries	Credit	Nov-94	Nov-99	\$9,764,121	\$0	\$9,764,121	\$76,960	\$257,859
Sanifill, Inc.	Expired. Redeemed as of Jan-98.			\$0	\$0	\$0	\$43,809	\$87,618
San Diego Unified Port District (20)	Credit	Oct-97	Oct-02	\$35,000,000	\$1,365,243	\$36,365,243	\$13,079	\$38,332
San Diego Unified Port District (21)	Credit	Oct-97	Oct-02	\$15,000,000	\$585,104	\$15,585,104	\$13,079	\$25,832
Pasadena Parking Authority	Credit	Jan-98	Jan-03	\$9,000,000	\$693,750	\$9,693,750	\$30,666	\$35,935
Pasadena Rosebowl (22)	Credit	Jun-98	Jun-01	\$15,600,000	\$276,956	\$15,876,956	\$33,001	\$33,001
CHFA 1998 Series M	Credit	Apr-99	Jul-01	\$9,125,000	\$707,188	\$9,832,188	\$0	\$0
CHFA 1998 Series P	Credit	Apr-99	Jul-01	\$5,000,000	\$387,500	\$5,387,500	\$0	\$0
CHFA 1998 Series T	Credit	Apr-99	Jul-01	\$25,000,000	\$1,937,500	\$26,937,500	\$0	\$0
SUBTOTAL				\$198,489,121	\$5,953,240	\$204,442,361	\$314,556	\$744,646
<b>DIRECT RISK - SECURED</b>								
Buck Research on Aging	Credit	Dec-96	Dec-99	\$27,500,000	\$397,808	\$27,897,808	\$139,024	\$415,303
<b>BOND INSURED</b>								
Adventist West	Credit	Feb-98	Feb-05	\$114,500,000	\$1,693,973	\$116,193,973	\$93,384	\$141,568
<b>DIRECT PAY LETTERS OF CREDIT</b>								
Pt. Loma College	Expired. Redeemed as of Nov-98.			\$0	\$0	\$0	\$69,260	\$360,334
City of Visalia (California)	Credit	Sep-96	Sep-01	\$3,385,000	\$70,111	\$3,455,111	\$17,094	\$49,170
LA Fairplex	Credit	Jul-97	Jul-01	\$17,900,000	\$698,224	\$18,598,224	\$51,997	\$163,340
Master-Halco Series 1986-II	Credit	Nov-98	Nov-01	\$1,900,000	\$39,978	\$1,939,978	\$1,000	\$1,000
TransAmerica Series 1986-V	Credit	Nov-98	Nov-01	\$1,050,000	\$22,093	\$1,072,093	\$1,000	\$1,000
CSCDA - IDB's								
Series 1994B								
Propak of California	Credit	Nov-94	Nov-01	\$2,720,000	\$60,809	\$2,780,809	\$4,770	\$49,946
J. Michelle/Edie Lee	Credit	Nov-94	Nov-01	\$2,000,000	\$44,712	\$2,044,712	\$4,362	\$51,969
Pasco Scientific	Credit	Dec-94	Dec-01	\$2,295,000	\$51,307	\$2,346,307	\$4,826	\$50,862
American River Packaging	Credit	Dec-94	Dec-01	\$1,725,000	\$38,564	\$1,763,564	\$3,649	\$32,660
Lance Camper Manuf.	Credit	Dec-94	Dec-01	\$3,225,000	\$72,099	\$3,297,099	\$6,623	\$62,649

CSCDA - IDB's  
Series 1989-90

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Transactions	Type	Closing Date	End of Commitment	STRS Commitment	Interest	Total Commitment	Fiscal 1998 - 99 Fee Income	Fee Income To Date
Intermountain Trading	Credit	Feb-95	Feb-02	\$290,000	\$6,483	\$296,483	\$1,504	\$8,731
Andercraft Products	Credit	Feb-95	Feb-02	\$775,000	\$17,326	\$792,326	\$4,413	\$27,319
Sunclipse, Inc. (Alhambra)	Credit	Feb-95	Feb-02	\$3,200,000	\$71,540	\$3,271,540	\$9,223	\$49,975
Sunclipse, Inc. (Union City)	Credit	Feb-95	Feb-02	\$2,135,000	\$47,730	\$2,182,730	\$6,333	\$36,761
Busseto Foods, Inc. (Rapelli of CA)	Credit	Mar-95	Mar-02	\$2,500,000	\$55,890	\$2,555,890	\$7,324	\$39,398
AHNNN, Inc.	<b>Expired. Redeemed as of Sept-97.</b>			\$0	\$0	\$0	\$0	\$9,416
Zarn, Inc.	Credit	Mar-95	Feb-02	\$610,000	\$13,637	\$623,637	\$3,148	\$22,777
Marcel & Marge Schurman	Credit	Mar-95	Feb-02	\$1,625,000	\$36,329	\$1,661,329	\$5,597	\$29,903
Charles & Loralie Harris	Credit	Mar-95	Feb-02	\$2,310,000	\$51,643	\$2,361,643	\$7,499	\$39,837
American Zettler	Credit	Mar-95	Mar-02	\$2,070,000	\$46,277	\$2,116,277	\$6,165	\$30,463
Aqua Serv Engineering	Credit	Mar-95	Mar-02	\$1,420,000	\$31,746	\$1,451,746	\$7,481	\$39,960
Contech Engineering Prod.	Credit	Mar-95	Mar-02	\$1,320,000	\$29,510	\$1,349,510	\$3,831	\$21,109
Evapco, Inc.	Credit	Mar-95	Mar-02	\$495,000	\$11,066	\$506,066	\$1,539	\$8,830
Florestone Products Co.	Credit	Mar-95	Mar-02	\$1,480,000	\$33,087	\$1,513,087	\$4,276	\$24,333
Grundfos Pumps Company	Credit	Mar-95	Mar-02	\$6,000,000	\$134,137	\$6,134,137	\$16,504	\$78,175
Instrument Specialities Co.	Credit	Mar-95	Mar-02	\$685,000	\$15,314	\$700,314	\$2,066	\$13,020
McCain Citrus	Credit	Mar-95	Mar-02	\$3,000,000	\$67,068	\$3,067,068	\$7,167	\$34,682
Mc Elroy Metal Mills, Inc.	Credit	Mar-95	Mar-02	\$440,000	\$9,837	\$449,837	\$1,495	\$12,030
NRI, Inc.	Credit	Mar-95	Mar-02	\$1,505,000	\$33,646	\$1,538,646	\$4,305	\$22,346
W & H Voortman, Inc.	Credit	Mar-95	Mar-02	\$2,460,000	\$54,996	\$2,514,996	\$5,937	\$30,418
Image Laboratories, Inc.	<b>Expired. Redeemed as of Dec-96.</b>			\$0	\$0	\$0	\$0	\$26,854
Allwire, Inc.	Credit	Mar-95	Mar-02	\$300,000	\$6,707	\$306,707	\$1,891	\$9,993
Fairway Molds, Inc.	Credit	Mar-95	Mar-02	\$600,000	\$13,414	\$613,414	\$3,935	\$21,753
S & P Investments	Credit	Mar-95	Mar-02	\$1,165,000	\$26,045	\$1,191,045	\$4,289	\$23,327
Northwest Pipe & Casing	Credit	Apr-95	Apr-02	\$3,000,000	\$67,068	\$3,067,068	\$9,241	\$52,011
Reliance Upholstery	<b>Expired. Redeemed as of Oct-98.</b>			\$0	\$0	\$0	\$906	\$9,261
Zieman Manufacturing	Credit	Apr-95	Apr-02	\$420,000	\$9,390	\$429,390	\$2,240	\$11,275
CSCDA - IDB's								
Series 1995A								
Carvin Corporation	Credit	Jun-95	Aug-01	\$2,230,000	\$49,854	\$2,279,854	\$9,292	\$42,349
Leegin Creative Leather Prod.	<b>Expired. Redeemed as of Dec-97.</b>			\$0	\$0	\$0	\$0	\$19,469
Kennerley-Spratling	Credit	Jun-95	Aug-01	\$2,760,000	\$61,703	\$2,821,703	\$11,315	\$50,924
Vantage Properties	Credit	Jun-95	Aug-01	\$1,580,000	\$35,323	\$1,615,323	\$6,867	\$29,231
BNG Properties, LLC	<b>Expired. Redeemed as of Aug-96.</b>			\$0	\$0	\$0	\$0	\$12,253
Staub Metals, Inc.	Credit	Aug-95	Aug-01	\$1,020,000	\$22,803	\$1,042,803	\$5,136	\$24,523
Aerostar Partners, Inc.	Credit	Sep-95	Sep-01	\$4,395,000	\$98,255	\$4,493,255	\$12,566	\$63,268
Walker Spring and Stamping Cor	Credit	Sep-95	Sep-01	\$3,400,000	\$76,011	\$3,476,011	\$10,085	\$50,889
Encore Video, Inc.	<b>Expired. Redeemed as of Oct-98.</b>			\$0	\$0	\$0	\$1,353	\$11,691
EuroDesign Cabinets, Inc.	Credit	Sep-95	Sep-01	\$905,000	\$20,232	\$925,232	\$3,178	\$16,810
South Bay Circuits, Inc.	Credit	Sep-95	Sep-01	\$1,800,000	\$40,241	\$1,840,241	\$5,615	\$28,815
W & H Voortman, Inc.	Credit	Sep-95	Sep-01	\$1,020,000	\$22,803	\$1,042,803	\$3,444	\$16,724
Red Line Oil Co.	Credit	Nov-95	Nov-01	\$1,035,000	\$23,139	\$1,058,139	\$2,500	\$18,376
Johansen Dielectics	Credit	Nov-95	Nov-01	\$1,950,000	\$43,595	\$1,993,595	\$4,470	\$37,358
Peet's Coffee	Credit	Dec-95	Dec-01	\$2,620,000	\$58,573	\$2,678,573	\$5,892	\$43,000
Safariland	Credit	Sep-96	Sep-01	\$3,700,000	\$76,636	\$3,776,636	\$2,684	\$22,528
Control Air Conditioning	Credit	Jun-97	Jun-01	\$4,600,000	\$83,178	\$4,683,178	\$10,698	\$45,682

***CalSTRS CREDIT ENHANCEMENT PROGRAM***  
**PROGRAM SUMMARY AS OF MAY 7, 1999**

Attachment 1  
Item 12

Transactions	Type	Closing Date	End of Commitment	STRS Commitment	Interest	Total Commitment	Fiscal 1998 - 99 Fee Income	Fee Income To Date
CSCDA - IDB Series 1996M <b>Cordeiro Vault Co., Inc.</b>	Credit	Dec-96	Dec-01	\$1,070,000	\$23,921	\$1,093,921	\$4,473	\$14,864
CSCDA - IDB Series 1996M <b>Fibrebond West, Inc.</b>	Credit	Dec-96	Dec-01	\$6,410,000	\$143,303	\$6,553,303	\$20,155	\$76,078
<b>SUBTOTAL</b>				<b>\$116,500,000</b>	<b>\$2,867,356</b>	<b>\$119,367,356</b>	<b>\$412,614</b>	<b>\$2,181,720</b>

**CalSTRS CREDIT ENHANCEMENT PROGRAM**  
PROGRAM SUMMARY AS OF MAY 7, 1999

Attachment 1  
Item 12

Transactions	Type	Closing Date	End of Commitment	STRS Commitment	Interest	Total Commitment	Fiscal 1998 - 99 Fee Income	Fee Income To Date
<b>CONFIRMING LETTERS OF CREDIT</b>								
Confirmation #1 <b>Suncreek Apts.</b>	Credit	Apr-96	Apr-02	\$6,800,000	\$78,247	\$6,878,247	\$25,964	\$128,200
Confirmation #2 <b>CMIG LLC</b>	<b>Terminated as of August 28, 1998.</b>			\$0	\$0	\$0	\$2,153	\$5,514
Confirmation #3 <b>Monrovia Redevelopment Agency</b>	Credit	Jan-98	Jan-02	\$8,600,000	\$229,727	\$8,829,727	\$17,694	\$37,388
Confirmation #4 & #5 <b>First Class Foods / Alliance</b>	Credit	Apr-98	Apr-03	\$3,750,000	\$55,479	\$3,805,479	\$5,708	\$5,708
Confirmation #6 <b>Western Saw</b>	Credit	Jun-98	Jun-03	\$3,600,000	\$53,260	\$3,653,260	\$5,561	\$11,041
Confirmation #7 <b>St. Vincent de Paul</b>	Credit	May-99	May-02	\$7,485,000	\$110,737	\$7,595,737	\$0	\$0
Confirmation #8 <b>Delta Tau Data Systems</b>	Credit	Aug-98	Aug-01	\$5,800,000	\$85,808	\$5,885,808	\$14,715	\$14,715
Confirmation #9 <b>Dix Metals</b>	Credit	Sep-98	Sep-01	\$5,560,000	\$82,258	\$5,642,258	\$14,231	\$14,231
Confirmations #10 & #11 <b>City of Fillmore</b>	Credit	Sep-98	Sep-01	\$13,070,000	\$249,225	\$13,319,225	\$27,091	\$27,091
Confirmation #12 <b>Accurate Engineering</b>	Credit	Oct-98	Oct-01	\$5,000,000	\$73,973	\$5,073,973	\$11,409	\$11,409
Confirmation #13 <b>The Terraces/Park Marino</b>	Credit	Oct-98	Oct-01	\$8,000,000	\$131,507	\$8,131,507	\$18,070	\$18,070
Confirmation #14 <b>Santa Paula (Water Supply)</b>	Credit	Nov-98	Nov-01	\$24,500,000	\$467,178	\$24,967,178	\$12,067	\$12,067
Confirmation #16 <b>City of Fillmore</b>	Credit	Mar-99	Jun-02	\$7,345,000	\$137,643	\$7,482,643	\$0	\$0
Confirmation #17 <b>City of Ontario</b>	Credit	Mar-99	Mar-03	\$8,270,000	\$152,259	\$8,422,259	\$8,843	\$8,843
Confirmation #18 <b>City of Ontario</b>	Credit	Mar-99	Mar-03	\$6,725,000	\$120,609	\$6,845,609	\$6,791	\$6,791
Confirmation #19 <b>Watt Four</b>	Credit	May-99	May-02	\$2,750,000	\$46,109	\$2,796,109	\$0	\$0
<b>SUBTOTAL</b>				<b>\$117,255,000</b>	<b>\$2,074,019</b>	<b>\$119,329,019</b>	<b>\$170,298</b>	<b>\$301,068</b>
<b>TOTAL:</b>				<b>\$574,244,121</b>	<b>\$12,986,396</b>	<b>\$587,230,517</b>	<b>\$1,129,875</b>	<b>\$3,784,304</b>

**CalSTRS CREDIT ENHANCEMENT PROGRAM**  
**BANK EXPOSURE**  
**PROGRAM SUMMARY AS OF MAY 7, 1999**

Deal	Commitment	Interest	Total	Portfolio Percentage
<b>PARTNER INSTITUTION</b>				
<b>Port of Long Beach</b>				
Canadian Imperial Bank of Commerce (CIBC)	\$75,000,000	\$0	\$75,000,000	13.06%
<b>Buck Research Center on Aging (CIBC)</b>	\$27,500,000	\$397,808	\$27,897,808	4.79%
<b>USA Waste Industries</b>				
Bank of California	\$9,764,121	\$0	\$9,764,121	1.70%
<b>San Diego Unified Port District (CIBC)</b>	\$35,000,000	\$1,365,243	\$36,365,243	6.09%
<b>San Diego Unified Port District (CIBC)</b>	\$15,000,000	\$585,104	\$15,585,104	2.61%
<b>Pasadena Parking Authority (CIBC)</b>	\$9,000,000	\$693,750	\$9,693,750	1.57%
<b>Pasadena Rose Bowl (CIBC)</b>	\$15,600,000	\$276,956	\$15,876,956	2.72%
<b>CHFA 1998 Series M</b>				
Bank of America	\$9,125,000	\$707,188	\$9,832,188	1.59%
<b>CHFA 1998 Series P</b>				
Bank of America	\$5,000,000	\$387,500	\$5,387,500	0.87%
<b>CHFA 1998 Series T</b>				
Bank of America	\$25,000,000	\$1,937,500	\$26,937,500	4.35%
<b>TOTAL - PARTNER INSTITUTION</b>	<b>\$225,989,121</b>	<b>\$6,351,048</b>	<b>\$232,340,169</b>	<b>39.35%</b>
<b>DIRECT FINANCIAL INSTITUTION EXPOSURE</b>				
MBIA	\$114,500,000	\$1,693,973	\$116,193,973	19.94%
Union Bank of California, N.A.	\$97,380,000	\$1,906,620	\$99,286,620	16.96%
Sanwa Bank of California	\$25,775,000	\$451,814	\$26,226,814	4.49%
Tokai Bank	\$17,900,000	\$698,224	\$18,598,224	3.12%
City National Bank	\$16,745,000	\$264,332	\$17,009,332	2.92%
Bank of America	\$15,730,000	\$351,662	\$16,081,662	2.74%
Wells Fargo Bank	\$9,655,000	\$213,350	\$9,868,350	1.68%
General Bank	\$8,600,000	\$229,727	\$8,829,727	1.50%
US Bank of California	\$6,800,000	\$78,247	\$6,878,247	1.18%
Bank of Nova Scotia	\$6,480,000	\$144,868	\$6,624,868	1.13%
Hibernia National Bank	\$6,410,000	\$143,303	\$6,553,303	1.12%
Comerica Bank - California	\$4,420,000	\$98,814	\$4,518,814	0.77%
Imperial Bank of California	\$3,700,000	\$76,636	\$3,776,636	0.64%
Pacific Century Bank, N.A.	\$3,600,000	\$53,260	\$3,653,260	0.63%
The Fuji Bank, Limited	\$3,385,000	\$70,111	\$3,455,111	0.59%
Istituto Bancario San Paolo Di Torino	\$2,500,000	\$55,890	\$2,555,890	0.44%
Mellon Bank	\$1,320,000	\$29,510	\$1,349,510	0.23%
Fleet Bank	\$1,020,000	\$22,803	\$1,042,803	0.18%
CoreStates Bank	\$685,000	\$15,314	\$700,314	0.12%
Societe Generale	\$610,000	\$13,637	\$623,637	0.11%
1st Business Bank	\$600,000	\$13,414	\$613,414	0.10%
National Bank of Canada	\$440,000	\$9,837	\$449,837	0.08%
<b>TOTAL - FINANCIAL INSTITUTION</b>	<b>\$348,255,000</b>	<b>\$6,635,348</b>	<b>\$354,890,348</b>	<b>60.65%</b>
<b>TOTAL EXPOSURE</b>	<b>\$574,244,121</b>	<b>\$12,986,396</b>	<b>\$587,230,517</b>	<b>100.00%</b>